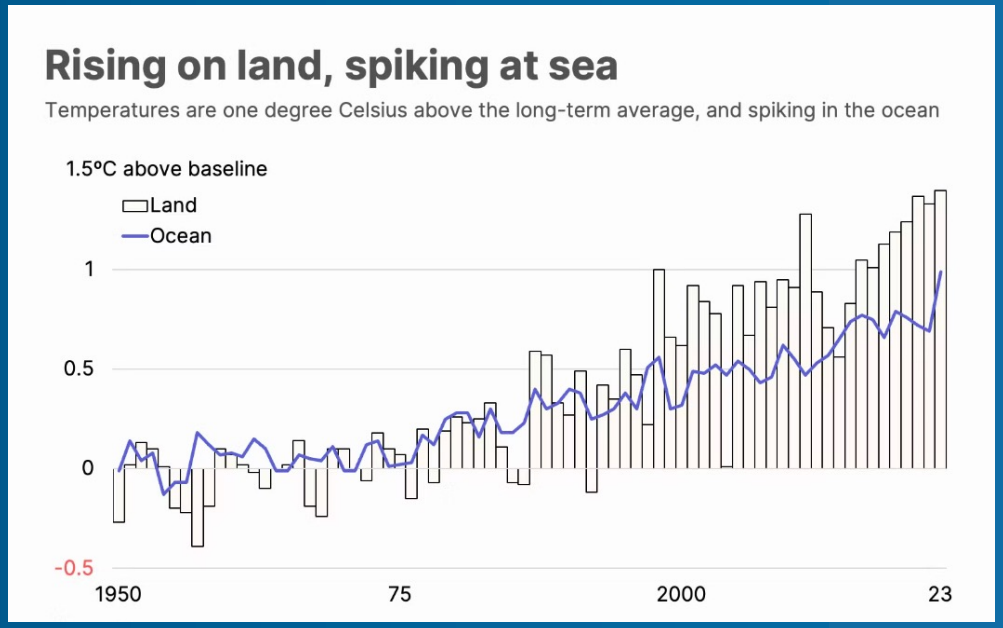
Tax Tools for Working Adults:
Climate Tax Policy

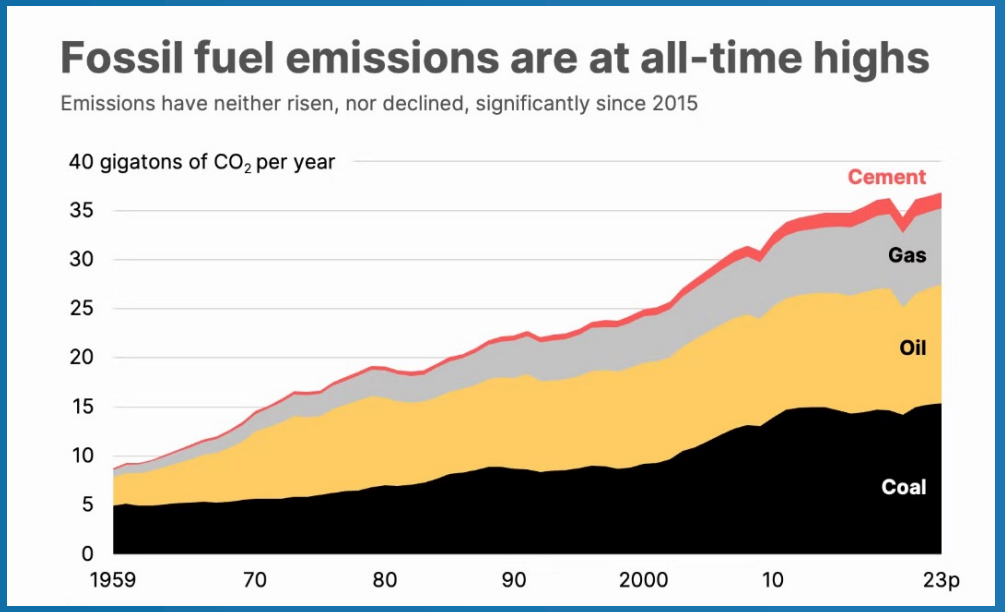
Kimberly A. Clausing
UCLA School of Law

National Academies
Tax Policy and Population Health: A Workshop

29 September 2025

Origin: How are we doing on climate?

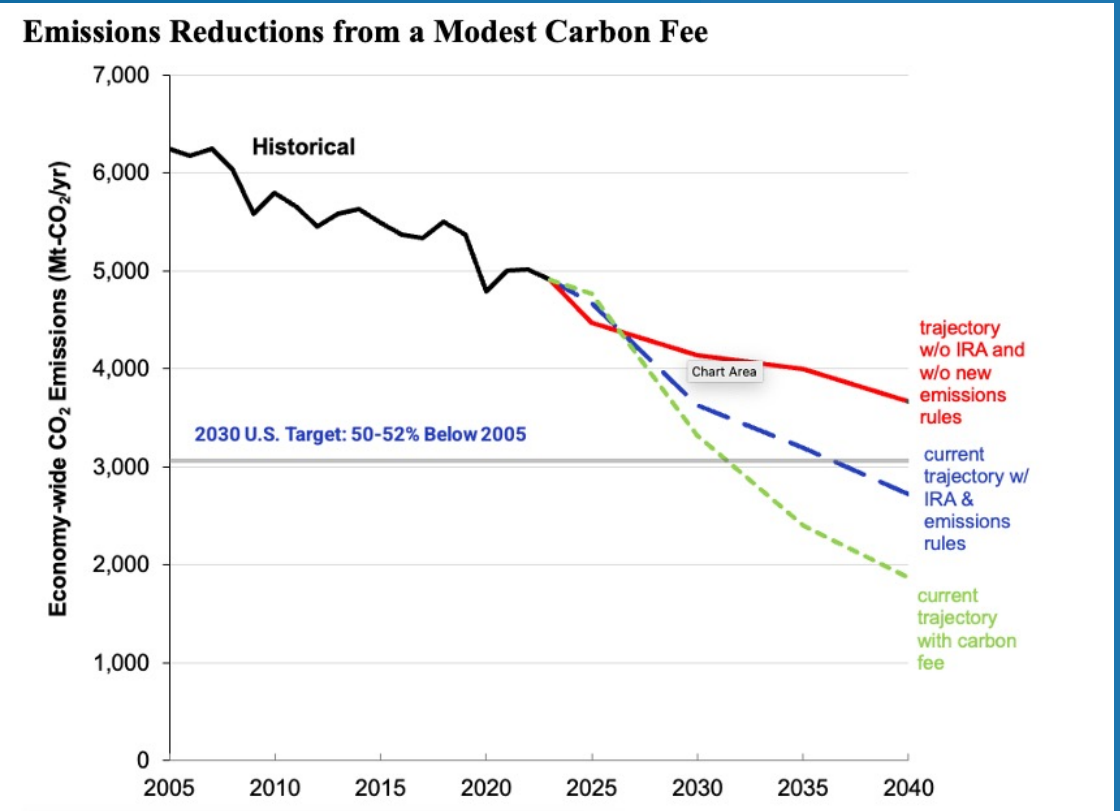




Source for graphics: Nat Bullard https://www.nathanielbullard.com/presentations

Origin: US Climate Policy in 2025

- Trump as spoiler
- Likely repeal of part of IRA
- Regulatory Rollback
- Only progress due to:
  - US state action
  - technological change
  - prior policies



Estimated Annual Average Household Costs (2023 dollars)
(Clausing, Knittel, and Wolfram, BPEA, 2025)

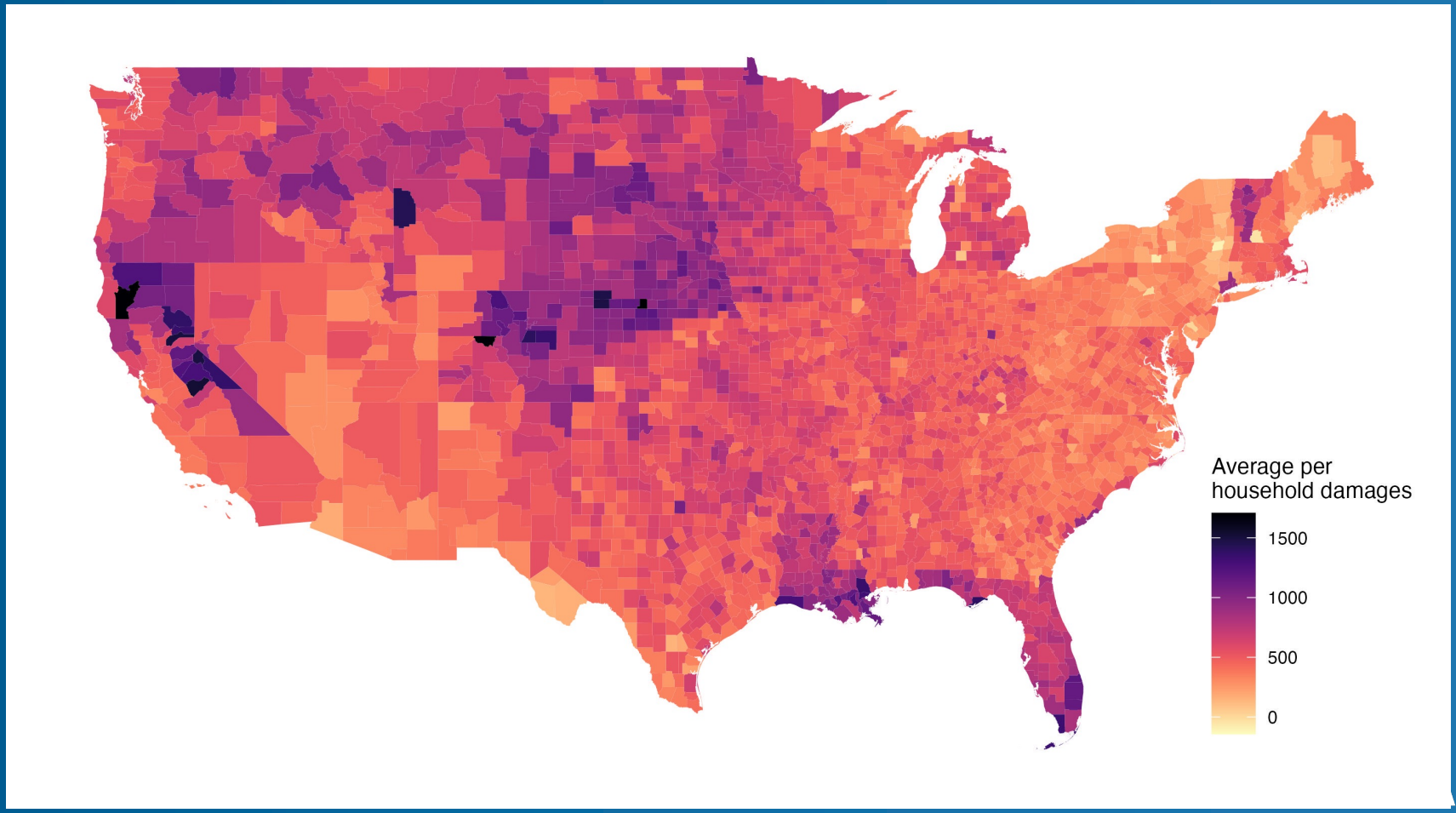
Category	More Conservative (Average)	Less Conservative (Average)	90th Percentile Costs	90th Percentile County
Insurance Costs	$73	$250	$399	$399
Indirect Insurance Costs	$30	$102	$163	$163
Energy Costs: Quantity Increase	$10	$10	$32	$27
Energy Costs: Price Increase	$3	$4	$82	$8
Indirect Energy Costs	$2	$4	$73	$7
Costs Borne by Governments	$12	$49	$75	$84
Crop Losses	$0	$0	$0	$0
Mortality Costs: Heat	$−1	$−1	$−1	$−2
Mortality Costs: Wildfire Smoke	$88	$140	$200	$189
Mortality Costs: Natural Disasters	$2	$13	$13	$13
TOTAL	**$219**	**$571**		**$888**

Source: Authors' calculations

BROOKINGS

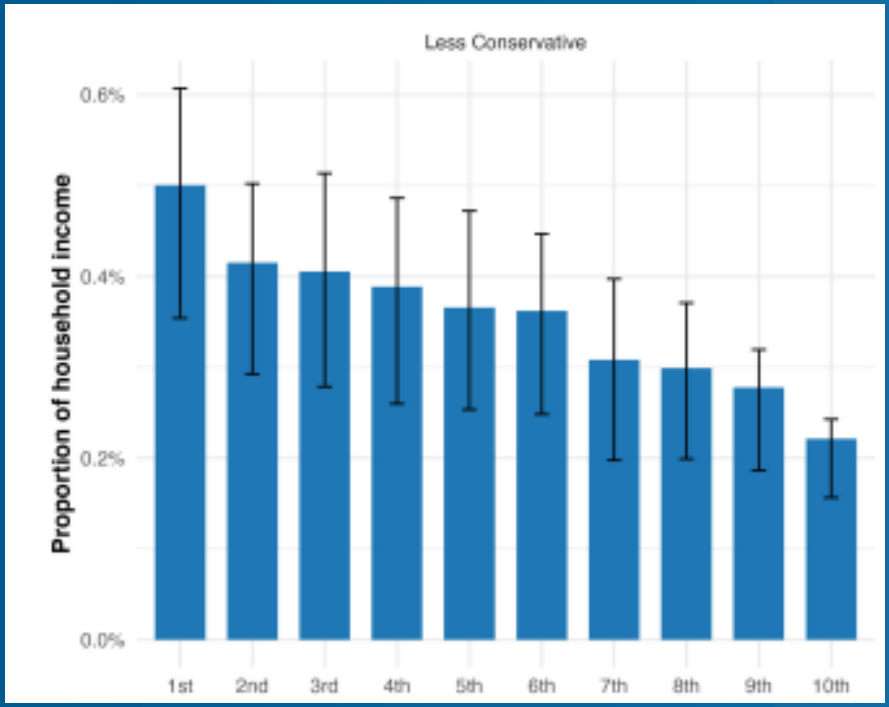
UCLA School of Law

US Climate Change Costs

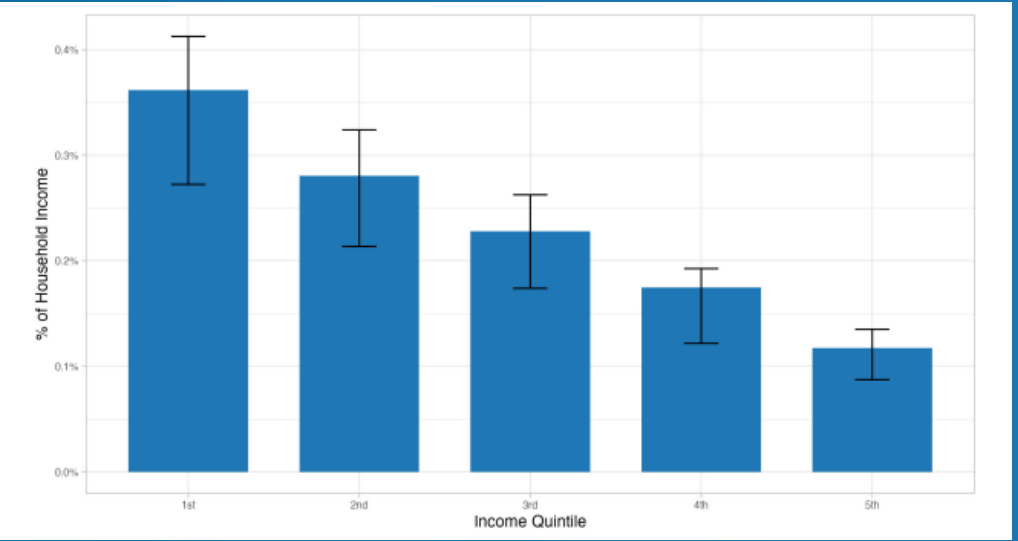


US Climate Change Costs

Home Insurance Costs



Wildfire Particulate Costs



UCLA School of Law

Policy Intentions: 7 Scenarios for US Climate Policy

Scenario	2035 economy CO_2 (decline from 2005)	Average abatement cost ($2023/t-$CO_2$)	2035 household energy ($2023/yr)
Current law; proposed emissions rules	49%	$43	$3,770
No new emissions rules	42%	$69	$3,790
Repeal IRA; no new emissions rules	36%	N/A	$3,900
Expand IRA	51%	$50	$3,730
Carbon fee	62%	$25	$3,800
Clean electricity standard	52%	$59	$3,730
Carbon fee; partial IRA repeal	57%	$18	$3,930

Source: Bistline et al. 2024.

Note: Average abatement costs and household energy expenditures are shown in 2023 dollars and abatement costs are relative to scenario 3 ("Repeal IRA; no new emissions rules.")

THE HAMILTON PROJECT

BROOKINGS

Making Carbon Pricing Work (Politically!)

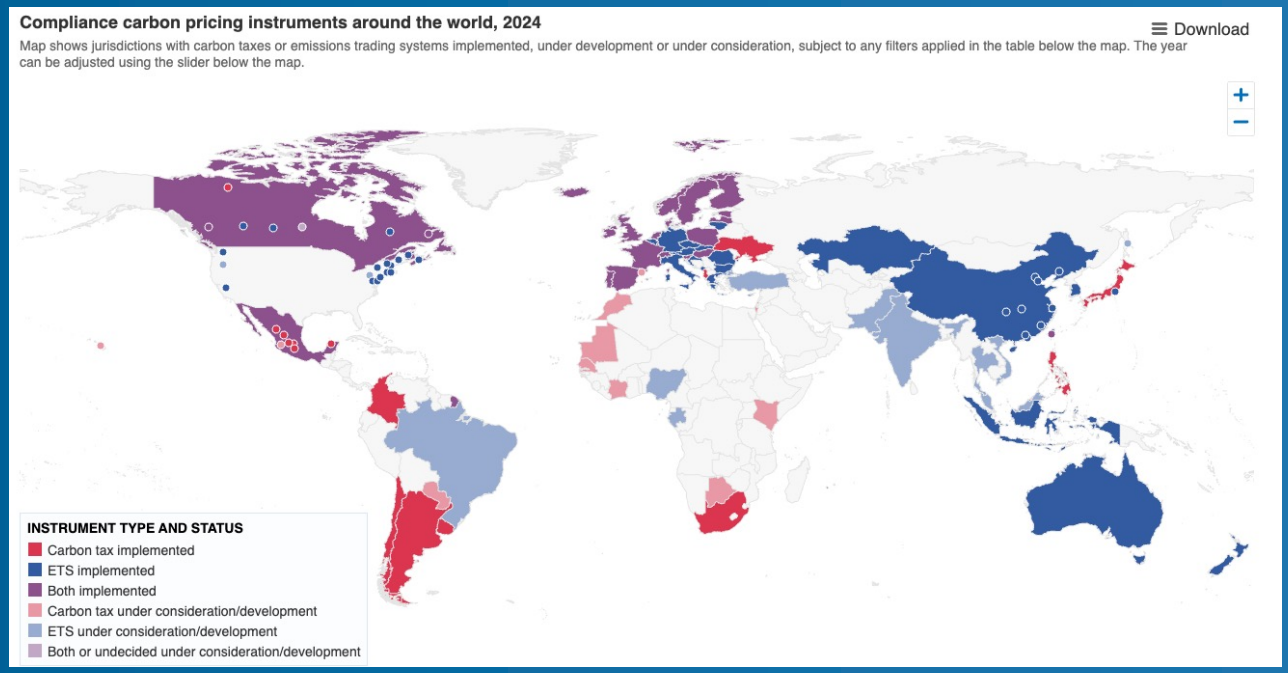
- Carve-out households via utility rebates and gas exemption
- Pair with tax reform and tax cuts for lower income households
- Address competitiveness concerns via border adjustment
- Keep administrative costs low
- Keep salience positive

Key Challenges for Global Emissions Reduction

- Global collective action always difficult
- Multilateral agreement needs better incentives
- Geopolitical tensions high, as is nationalist sentiment
- US government not engaged
- Equity issues both within and across countries
- Global agreements and coalitions have potential

Global Carbon Pricing

- 28 percent of global emissions covered
- Of G20 jurisdictions, most utilize carbon pricing, with Brazil/India coming on board; *only United States, Saudi Arabia, and Russia do not*



https://carbonpricingdashboard.worldbank.org/compliance/instrument-detail